MEN-IN-THE-NEWS

# Astute leaders behind chains' successes

## *Burger King's Campbell poised to take on No. 1 rival*

**By Roman Czajkowsky**

MIAMI—J. Jeffrey Campbell claims to trace his lineage back to the original Campbell, Capt. Robert Campbell, fifth laird of Glenlyon, who in 1682 at the battle of Glencoe massacred a rival clan—the MacDonalds.

Naturally, Campbell, who recently was named president of Burger King U.S.A., hopes the past will repeat itself as he's preparing to take on the burger chain's No. 1 rival.

The task will be formidable: With over 6,000 units, McDonald's is twice as large as Burger King; has an advertising budget several times bigger, and runs a tighter ship than Burger King on the operational level.

But colleagues who've watched Campbell's fast rise up Burger King's ranks think he's got the background, attitude and imagination necessary to do his share in pulling the hamburger chain into head-to-head combat with McD's.

"He's a get it done now, a very, very decisive person," said Kyle Craig, who was named to fill Campbell's former post as senior vice president for marketing.

Craig recalled that when an advertising agency presented Campbell with several proposals for a new ad campaign last year, "when the whole presentation was over, Jeff wasted no time and said, '*That's* the campaign I want.' He didn't say, 'Let's research this.' He trusts his instincts, he says 'let's do things, let's create an impact.'"

Added Craig: "He believes this is a simple business, that it's not so complicated, that all that's involved is [offering customers] convenience, price value, quality and marketing."

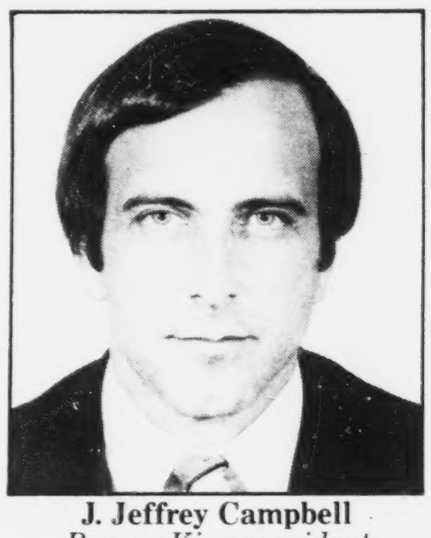
Campbell is a tall, lanky 37-year-old who speaks in short, rapid sentences, radiates energy and is quick with a quip. And while he says he takes his business "very seriously," he also adds that he's out to have "some fun":

"If business is fun, it gets done better," he told an interviewer. "After all, we're in the *hamburger* business."

A native of Brooklyn, N.Y., Campbell received a bachelor of arts degree in psychology from Fairfield University in Connecticut and a master's degree in marketing from Columbia University. He then served in the U.S. Army as a paratrooper in the 82nd Airborne—a "camp for boys," he recalls.

Armed with his degree in marketing, Campbell began his professional career as an account executive with a New York advertising agency, working on a Burger King account. He joined Burger King in 1971 as advertising manager, was promoted to marketing manager, and then to vice president, marketing management.

Eager to learn the business from the operations side, Campbell became region general manager in Minneapolis and New York. In 1978 he was



**J. Jeffrey Campbell**
*Burger King president*

placed in charge of the New York region, where he was responsible for restaurant operation, personnel management, real estate, engineering, franchise sales and marketing.

Burger King officials said that under Campbell, Burger King grew at a much faster rate than McDonald's in the New York area. In the past five years, BK added 120 new restaurants there, while McD's opened 74.

Campbell admits that his fast promotion to president of Burger King U.S.A. took even him by surprise, though he acknowledges gunning for that post from the start.

His performance as head of marketing apparently caught the eye of Norman Brinker, the recently named restaurant group president of Pillsbury, Burger King's parent company. Said one Burger King official: "Brinker was impressed with Campbell's leadership. He [Campbell] demands quality, but he brings you up to a certain level."

## *Friendly's Staggs evaluates market, halts growth*

WILBRAHAM, Mass.—Back in the mid-1970's, when James Staggs was still executive vice president of Friendly Ice Cream Corp., the chain expanded into the Midwest where it was hoped it would gain as loyal a following as it enjoyed in its New England base. But when time passed and sales at the Midwestern ice cream and sandwich shops continued to be ho-hum at best, management halted all new expansion, re-evaluated operations, and struck out on a new course.

The upshot was a transformation of the ice cream parlor of old into a coffee shop concept with a broad-based consumer following. But even before the decision was taken to transform most of the now 622-unit chain, Staggs already had set in motion a search for a new concept that would be responsive to a changing market place.

**Foresight**

"I think Staggs recognized very early that instead of continued ice cream parlor operations, we should begin investigating what would be the successful concept for the future," said Donald Ryan, a former Friendly official whom Staggs placed in charge of that project. "He had the vision that change was needed even before most others realized that our small ice cream shops would not do," said Ryan, now vice president of food service at Montgomery Ward.

This month, Staggs moved up from chairman to vice chairman of Friendly, a Hershey Foods Corp. subsidiary. Staggs, 54, who had been chief executive officer since January 1981, succeeds retiring Robert Gaudrault and continues as ceo.

**Conservative Growth**

Described as a soft spoken, introspective man, Staggs is expected to continue the chain's conservative approach to growth. Though in recent years Friendly has taken on a more combative marketing stance to fend off increasing competition in its market segment, only a small number of units have been added to the system. Instead, management's efforts have focused on menu enhancement and service standards at the all-company-operated chain.

**Worked His Way Up**

Staggs has spent his entire professional career with Friendly, working his way up from manager trainee to his current position. His ability to deal with people was recognized as early as 1952—three years after he joined Friendly—when he was named training supervisor.

"Staggs has an uncanny sense for identifying talent and getting them to work," said Ryan. "He's a people-oriented person." *(See related story on page 60.)*

# Beefsteak Charlie's diversifies as ShowBiz Pizza franchisee

NEW YORK—Beefsteak Charlie's, operator of a string of dinnerhouses along the Eastern Seaboard, is seeking to become a major franchisee of ShowBiz Pizza Place, a fast-growing pizza restaurant chain that features animated entertainment and video games.

The two companies said in a statement that discussions were being held on Beefsteak Charlie's developing ShowBiz franchises in parts of Connecticut, Maryland, Massachusetts, New Jersey, New York and Pennsylvania. They cautioned, however, that an agreement was "not assured." Both companies are publicly owned.

A Beefsteak Charlie's spokesman said a decision was expected by mid-April.

ShowBiz is an 80%-owned subsidiary of Brock Hotel Corporation, a major Holiday Inn franchisee based in Topeka, Kan. It currently operates 60 ShowBiz Pizza restaurants, all company-owned, in 16 states primarily in the Southwest and Sunbelt. According to a report filed with the Securities and Exchange Commission, as of March 31, the subsidiary had also sold 34 area franchises. The agreements call for the development of 111 restaurants in 15 states and Washington, D.C., over the next five years.

**How It Works**

The typical franchise agreement calls for an initial $25,000 fee per restaurant and annual royalties amounting to 4½% of sales. Franchisees must also contribute an additional 1% of sales to a national advertising fund.

In 1981, the typical ShowBiz restaurant averaged $1.45 million in revenues, of which about 68% were food and beverage sales. Games accounted for 29%. Fully 70% of games' revenue is said to fall directly to the bottom line.

Brock Hotel Corp., which had net income of $7.1 million on revenues of $165.1 million in 1981, is currently negotiating an out-of-court settlement with Pizza Time Theatre, its former co-developer of restaurant/entertainment centers. The companies filed suits against each other for alleged breach of contract.

New York-based Beefsteak Charlie's Inc. operates 65 restaurants, including 63 Beefsteak Charlie's that specialize in beef products, barbecued baby back ribs and seafood. Three of the restaurants are franchised. In 1981, the company's income, excluding an extraordinary item, was $2.1 million. Sales were $88 million.

## *Games and giveaways top list of promotions*

PURCHASE, N.Y.—Games and giveaway promotions dominate the chain branch of Pepsi-Cola's Food-Service division's ninth annual Most Valuable Promotion (MVP) awards. Glassware, coupon and public service promotions also are prominent as part of a widespread push to boost customer counts from their generally flat situation.

**The Winners**

Six judges, meeting here at PepsiCo corporate headquarters this month, selected 12 winners from among 116 entries and one overall MVP winner. The judges were the chief editors of the three leading food-service publications and executives of three other promotion-oriented organizations.

Winners will be revealed at Pepsi-Cola's MVP awards luncheon in the downtown Chicago Marriott Monday, May 24, during the National Restaurant Association Show.

**The Categories**

The five categories in the MVP contest are food-service operations with under 31 units, which received by far the most entries; chains of 31 to 100 units; chains of over 100 units; institutional feeders, and hotel, motel and movie theater food-service operators.

## HIGHLIGHTS IN THIS ISSUE

**8** Customers may not always be right, but they must be treated with respect, says *NRN* editor Charles Bernstein, warning operators that restaurants today cannot afford to lose potential customers over the carelessness of poorly trained and motivated employees.

**10** Site selection techniques and market research information were provided at a restaurant site selection seminar sponsored by *Nation's Restaurant News* in conjunction with parent Lebhar-Friedman's Center for Retail Management.

**14** Denver's Ichabod's restaurant sells more than 350 cases of imported beer per month at about $2.25 a beer. *NRN* Wine and Spirits columnist Mort Hochstein explains the restaurant's strategy in saving lots of money on advertising while building customer loyalty.

**38** Luby's executives are minimizing the dangers of K mart-backed Furr's expansion in key Texas markets.

**58** Food service holds great opportunities, but only for those sensitive to customer's needs and flexible enough to roll with a changing marketplace, *NRN* publication director Thomas Haas told this year's graduating class of the Culinary Institute of America.

**73** Morrison Inc. has purchased the 17-unit Ruby Tuesday chain based in Knoxville.

**REGULAR FEATURES**

**Financial** ..... ***Pp. 4, 6***
**Opinion** ..... ***P. 8***
**People** ..... ***P. 60***
**Promotions** ..... ***P. 76***
**New Products** ..... ***P. 84***
**Classified** ..... ***Pp. 89-95***

NATION's RESTAURANT NEWS
(ISSN 0028-0518)
Published by Lebhar-Friedman Inc.
425 Park Ave., New York, N.Y. 10022
All Correspondence to:
Editorial Offices:
425 Park Ave., New York, N.Y. 10022
Telephone: 371-9400
Cable: LEBHAFRIED
Published biweekly—every other Monday, monthly in December. Subscription rate $15 a year, $28 for two years. Single copy rate $2. Outside U.S.A.: Canada, $16 a year, $30 for two years; Foreign subscriptions (air mail only) $100 per year. Second class postage paid at New York, N.Y., and additional mailing offices.

Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 99 Park Ave., New York, N.Y. 10016.

For change of address, six weeks notice to Subscription Dept., 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 16, No. 9 April 26, 1982

## FINANCIAL NEWS

# Shrinking profits trigger changes at Pizza Inn

DALLAS—Despite an 11% gain in revenues, profits at Pizza Inn Inc. last year continued to erode, falling below the 1974 level.

For the year ended Dec. 27, the company reported a $1.4 million profit, down 18% from the roughly $1.7-million level maintained from 1978 through 1980.

Revenues, however, increased 11% to $138.8 million last year.

The chain shrank from 754 units at the end of 1980 to 731 units at the end of 1981. The average number of company-operated stores open during 1981 dropped to 326 from 354 the year before.

Pizza Inn president and chief executive F. Joseph Spillman attributed the depressed 1981 earnings to a combination of planned expenditures and the worst fourth quarter in at least three years, traditionally one of the strongest quarters.

Fourth quarter profits fell to $30,000 last year, down from $399,000 in 1980 and $299,000 in 1979. Fourth quarter revenues fell 6% to $35.1 million.

Raymond D. Phillips, senior vice president for finance, conceded, "Pizza Inn has been flat for the past several years. "We've sold some units, closed others. It's part of our plan before we can start back into an expansion mode."

"We spent," he continued, "$1.1 or $1.2 million in new field supervision and training—which is about $100,000 per month—for the new sandwich lines and the Sicilian Topper program."

In addition, he said, the company budgeted an additional $722,000 in a reserve for delinquent franchisee accounts.

For the fourth quarter, he said, "We didn't react fast enough—maybe that's our fault—in the area of labor, cutting back when customer counts fell off."

He said, however, that for the first quarter of 1982, revenues are running 14% higher than last year's $29.6 million.

Pizza Inn, which is publicly owned but largely controlled by Spillman, the founder, has been suffering profit erosion since 1975 when the company made $2.3 million on $39.1 million in revenues.

Following 1975, in 1976 and 1977, the company made $2.2 million in profits each year.

# *Domino's Pizza continues rapid growth*

ANN ARBOR, Mich.—Domino's Pizza, the system of 582 pizza delivery shops in 44 states, reported net profit rose 28% to $1.8 million for 1981. Sales for the year were up 62% to $179.2 million.

The chain grew by almost 52% in total units and entered six new states during the year. Expansion plans call for 900 stores by the end of 1982, and 2,000 by the end of 1984.

The company imposed controls on franchise growth during the year, limiting new franchise sales to past or present employees to ensure the units are run by those who are acquainted with Domino's operations. The chain is now about two-thirds franchised.

The limited menu, the lack of in-house service, the ease of pizza preparation and the low start-up cost of a Domino's unit have been cited by the company's management as reasons for its rapid growth in a difficult economic climate.

# Food-service chain stock analysis table

| | | STOCK PRICE | | | | | | | TREND TO MARKET | | | | EARNINGS/SHARE | | | | | P/E | DIVIDENDS | | | FINANCIAL POSITION | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Two Weeks Ended April 9 | | | | | | | Price Trend (% per day) | | Volume Trend (% per day) | | | Latest 12 Months vs Preceding 12 Months Change | | 5-Year Annual Growth Rate | Profit Margin | | Indicated Dvd. Rate | | Last X-Dvd. Date | Last Fiscal Year | | Current Ratio | Last Fiscal Year (Per Share) | | Last Balance Sheet Date |
| Name | Symbol | High | Low | Close | Change Amt | Change Pct | 52-Week High | 52-Week Low | Last 30 Days | Last 5 Days | Last 30 Days | Last 5 Days | Last Fiscal Year | Amt | Pct | | | Latest P/E Ratio | Amt | Yield | | Revenue | Earnings | | Long Term Debt | Common Stock Equity | |
| | | $ | $ | $ | $ | % | $ | $ | % | % | % | % | $ | $ | % | % | % | — | $ | % | — | $ Mil. | $ Mil. | — | $ | $ | — |
| Aca Los A Res | ALAR | 4.50 | 4.38 | 4.38 | .00 | .00 | 10.63 | 3.50 | -.44 | -.50 | -4.70 | 43.45 | .47 | -.21 | Q | -50.0 | 8.0 | 4.3 | 20.8 | .00 | 0 | 01-06-81 | 19.1 | 1.1 | .8 | 1.1 | 2 | 1080 |
| Am Motor Inns | INN | 18.63 | 17.25 | 17.63 | .13 | .71 | 21.88 | 10.00 | .31 | -1.00 | 2.25 | -23.21 | 1.66 | .36 | S | 24.8 | 34.0 | 6.3 | 9.7 | .22 | 1.2 | 01-26-82 | 142.3 | 8.9 | 1.5 | 15.6 | 11 | 0781 |
| ARA Services | ARA | 26.63 | 24.75 | 25.63 | .50 | 1.99 | 37.25 | 23.50 | .11 | -.49 | -6.74 | -5.56 | 4.00 | -1.35 | Q | -26.2 | -1.0 | 1.5 | 6.8 | 2.00 | 7.8 | 02-23-82 | 2915.9 | 45.1 | 1.2 | 21.0 | 44 | 0981 |
| Assoc Hosts | AHST | 6.38 | 5.88 | 6.38 | .63 | 10.87 | 8.63 | 4.88 | .07 | .15 | 8.09 | 15.74 | .66 | .11 | Q | 17.1 | -8.0 | 2.6 | 8.5 | .12 | 1.9 | 12-08-81 | 79.9 | 2.1 | 1.5 | 6.4 | 7 | 0981 |
| Beefstk Char | BSCC | 5.50 | 4.13 | 5.50 | 1.38 | 33.33 | 5.50 | 2.88 | 1.34 | 4.16 | 6.84 | -24.79 | .62 | .16 | Q | 32.6 | 32.0 | 2.4 | 8.5 | .00 | 0 | 00-00-00 | 86.2 | 2.1 | 1.2 | 1.2 | 3 | 1081 |
| Bob Evans Farms | BOBE | 26.00 | 23.50 | 25.75 | 3.00 | 13.19 | 26.00 | 17.75 | .15 | .26 | .98 | -7.12 | 1.40 | .19 | N | 13.5 | 26.0 | 8.0 | 16.2 | .40 | 1.6 | 02-05-82 | 147.0 | 11.8 | 1.9 | 0 | 6 | 0481 |
| Bonanza Intl Inc | BNZA | 1.69 | 1.38 | 1.63 | .25 | 18.18 | 6.88 | 1.06 | .81 | -1.39 | -1.49 | -67.72 | .24 | -1.49 | N | -647.8 | -37.0 | 4.2 | NE | .00 | 0 | 00-00-00 | 25.9 | 1.1 | 1.6 | 12.9 | 5 | 1280 |
| Brock Hotel Cp | BHC | 15.75 | 12.38 | 15.25 | 2.75 | 22.00 | 16.88 | 9.88 | .19 | .36 | 1.41 | -41.39 | .59 | .15 | F | 34.0 | 30.0 | 4.3 | 25.8 | .10 | .7 | 03-08-82 | 110.9 | 4.4 | 1.0 | 8.5 | 3 | 1280 |
| Cainy Food | CLNY | 8.00 | 7.75 | 8.00 | .50 | 6.67 | 10.34 | 7.16 | .09 | -.24 | 2.72 | -30.77 | .90 | -.19 | N | -16.6 | 7.0 | 2.2 | 8.4 | .12 | 1.5 | 03-02-82 | 41.7 | .9 | .4 | 9.6 | 4 | 0281 |
| Carrols Develop | CRL | 5.38 | 4.88 | 5.38 | .50 | 10.26 | 7.84 | 3.97 | .20 | .42 | .79 | 27.92 | .86 | .72 | N | 163.6 | 35.0 | 2.4 | 4.6 | .09 | 1.7 | 12-24-81 | 75.6 | 1.8 | .7 | 10.1 | 5 | 0581 |
| Chart House | CHHO | 21.63 | 18.75 | 21.63 | 3.00 | 16.11 | 22.88 | 15.25 | .61 | 2.85 | 7.54 | 11.26 | 2.03 | .31 | F | 18.0 | 12.0 | 5.0 | 10.7 | .60 | 2.8 | 12-24-81 | 312.5 | 15.2 | 1.1 | 12.3 | 9 | 1280 |
| Chi-Chis | CHIC | 23.38 | 20.38 | 23.38 | 3.13 | 15.43 | 27.25 | 15.13 | .55 | 1.40 | .80 | -26.74 | .46 | .33 | N | 94.2 | 35.0 | 14.1 | 34.4 | .00 | .0 | 06-02-81 | 14.9 | 2.1 | 3.1 | 1.7 | 2 | 0481 |
| Ch Full O Nut | CHF | 12.63 | 10.13 | 12.00 | 1.63 | 15.66 | 13.88 | 8.38 | .50 | .13 | 3.97 | -23.05 | .66 | -.36 | S | -42.8 | 24.0 | 2.7 | 25.0 | .40 | 3.3 | 12-14-81 | 118.7 | 3.2 | 3.4 | .8 | 5 | 0781 |
| Churchs Fr Ch | CHU | 32.75 | 28.25 | 31.00 | 2.50 | 8.77 | 37.38 | 25.00 | .51 | .14 | 8.66 | 35.58 | 3.52 | .51 | F | 16.9 | 24.0 | 10.8 | 8.8 | .84 | 2.7 | 01-25-82 | 412.1 | 44.6 | 1.9 | 1.0 | 15 | 1281 |
| Cindys Inc | CNDYC | 3.00 | 3.00 | 3.00 | .00 | .00 | 3.63 | 2.50 | -.08 | -.21 | 1.00 | -18.09 | -1.43 | -1.09 | F | NE | NE | -17.3 | NE | .00 | .0 | 00-00-00 | 16.8 | -2.9 | .0 | 6.2 | 0 | 1280 |
| Collins Foods | CF | 14.63 | 12.63 | 13.88 | 1.38 | 11.00 | 14.91 | 10.31 | .34 | -.69 | -.45 | -29.92 | 1.56 | .63 | N | 41.4 | 13.0 | 2.8 | 6.5 | .24 | 1.7 | 03-25-82 | 265.2 | 7.5 | 1.4 | 10.6 | 13 | 0481 |
| Consul Corp | CNSL | 7.25 | 6.00 | 7.25 | 1.50 | 26.09 | 10.13 | 5.25 | .65 | 1.40 | 5.28 | 11.09 | -.08 | .12 | S | NC | NE | -1.5 | 60.4 | .00 | .0 | 00-00-00 | 6.8 | -.1 | .8 | 6 | 1 | 0581 |
| Dennys Inc | DEN | 25.00 | 21.75 | 23.50 | 2.00 | 9.30 | 25.00 | 14.75 | .32 | -.15 | 6.64 | 55.63 | 1.97 | .76 | S | 52.0 | 5.0 | 3.2 | 10.6 | .64 | 2.7 | 04-02-82 | 840.7 | 26.9 | 1.5 | 16.0 | 13 | 0681 |
| Dunkin Donuts | DUNK | 16.25 | 15.00 | 16.25 | 1.63 | 11.11 | 18.25 | 11.13 | 1.27 | .28 | 3.92 | -18.87 | 1.82 | .28 | Q | 17.3 | 19.0 | 8.3 | 8.6 | .30 | 1.8 | 02-05-82 | 68.7 | 5.7 | 1.3 | 11.4 | 11 | 1081 |
| Frischs | FRS | 9.00 | 8.25 | 9.00 | .63 | 7.46 | 9.38 | 5.78 | .27 | .73 | 3.06 | 35.63 | 1.39 | .70 | S | 63.0 | 14.0 | 3.0 | 5.0 | .30 | 3.3 | 03-30-82 | 97.0 | 2.9 | 1.2 | 7.2 | 13 | 0581 |
| Hambrg Hamlet | HAMB | 5.75 | 5.50 | 5.50 | -.25 | -4.35 | 9.00 | 5.00 | -.19 | -1.63 | -9.38 | 50.00 | .27 | -.15 | S | -19.7 | -24.0 | .7 | 9.0 | .00 | .0 | 00-00-00 | 28.4 | .2 | .9 | 20.9 | 12 | 0381 |
| Hardwicke | HAWK | 3.13 | 3.00 | 3.00 | -.13 | -4.00 | 8.75 | 2.25 | .15 | -.21 | -6.62 | 50.00 | -2.22 | -2.66 | F | -604.5 | -38.0 | -11.4 | NE | .00 | .0 | 00-00-00 | 30.6 | -3.5 | 1.4 | 18.4 | 8 | 0981 |
| Hilton Hotels | HLT | 39.63 | 35.63 | 39.25 | 3.63 | 10.18 | 52.25 | 32.00 | .08 | .66 | 1.55 | 9.64 | 4.22 | .22 | F | 5.5 | 34.0 | 18.4 | 9.3 | 1.80 | 4.6 | 03-01-82 | 523.1 | 106.1 | 2.2 | 4.6 | 17 | 1280 |
| Holiday Inns | HIA | 28.38 | 25.50 | 28.13 | 2.38 | 9.22 | 33.25 | 21.88 | -.22 | .55 | -2.41 | 21.96 | 3.66 | .74 | F | 25.3 | 27.0 | 7.8 | 7.7 | .80 | 2.8 | 03-15-82 | 1533.8 | 108.3 | 1.0 | 17.6 | 22 | 1280 |
| Holiday Inns A | HIA A | 39.00 | 39.00 | 39.00 | .00 | .00 | 48.75 | 33.00 | -.52 | -.24 | -9.18 | .00 | NA | NA | | NA | NA | NA | NA | .00 | .0 | 00-00-00 | NA | NA | NA | NA | NA | NA |
| Horn & Hardart | HOR | 15.75 | 12.88 | 15.50 | 2.63 | 20.39 | 15.75 | 7.28 | 1.04 | .44 | 9.99 | 5.04 | .87 | .09 | N | 10.0 | 42.0 | 3.1 | 15.7 | .00 | .0 | 01-11-82 | 128.2 | 4.0 | 1.8 | 15.4 | 6 | 1280 |
| Hungry Tiger | HTIG | 7.25 | 6.25 | 7.25 | 1.00 | 16.00 | 9.38 | 6.00 | -.02 | .84 | 11.59 | -60.52 | .92 | .14 | S | 16.6 | 42.0 | 3.2 | 7.4 | .00 | .0 | 08-24-81 | 49.9 | 1.6 | .8 | 5.8 | 4 | 0881 |
| Imperial Grp | IMT | 1.75 | 1.56 | 1.75 | .13 | 7.69 | 1.75 | 1.06 | .18 | .55 | -7.96 | -72.22 | .62 | -.15 | S | -21.1 | 28.0 | 2.1 | 3.1 | .16 | 9.1 | 09-28-81 | 8700.9 | 178.4 | .9 | .8 | 3 | 1080 |
| Intl Dairy Queen | INDQ | 11.00 | 9.75 | 11.00 | -.25 | -2.22 | 13.25 | 9.25 | .27 | -.23 | 6.04 | -63.95 | 1.72 | .23 | Q | 15.7 | 38.0 | 6.1 | 6.5 | .00 | .0 | 00-00-00 | 91.3 | 5.6 | 1.1 | 9.7 | 6 | 1181 |
| Int King Tab | IKNG | 2.38 | 2.00 | 2.38 | .38 | 18.75 | 3.38 | 1.75 | .13 | 2.60 | 3.79 | -1.63 | -.65 | .19 | S | NE | -43.0 | -3.1 | NE | .00 | .0 | 10-09-79 | 32.0 | -1.0 | .3 | 5.4 | 3 | 0681 |
| JBs Rest | JBBB | 5.88 | 4.63 | 5.88 | 1.25 | 27.03 | 5.88 | 2.88 | .62 | 4.35 | 12.27 | 53.95 | .63 | .31 | S | 75.6 | -1.0 | 3.0 | 8.2 | .16 | 2.7 | 05-10-82 | 36.4 | 1.1 | .9 | 5.2 | 5 | 0981 |
| Jerrico Inc | JERR | 21.00 | 20.13 | 21.00 | 1.13 | 5.66 | 27.63 | 15.63 | .31 | .36 | 7.05 | 44.28 | 1.70 | .39 | S | 26.5 | 23.0 | 5.6 | 11.3 | .12 | .6 | 02-01-82 | 378.2 | 21.0 | 1.1 | 3.7 | 10 | 0681 |
| Kapok Tr Inns | KTI | 3.75 | 3.63 | 3.63 | .00 | .00 | 4.38 | 3.38 | -.58 | -.26 | -5.59 | 15.00 | -.24 | -.45 | Q | -321.4 | -32.0 | -2.9 | NE | .00 | .0 | 00-00-00 | 13.8 | -.4 | 3.1 | 1.9 | 6 | 0981 |
| Kelly Johnston | KEJO | 17.00 | 16.50 | 16.75 | .00 | .00 | 17.00 | 10.75 | .50 | -.55 | 1.41 | 19.14 | .58 | .77 | N | NC | 132.0 | 5.9 | 21.8 | .00 | .0 | 00-00-00 | 11.9 | .7 | .4 | .8 | 1 | 0381 |
| Kinnard Cos | KCNI | 1.63 | 1.63 | 1.63 | .00 | .00 | 9.00 | 1.50 | -.14 | -.20 | -19.35 | .00 | -.60 | -.39 | N | NC | -96.0 | -66.7 | NE | .00 | .0 | 00-00-00 | 2.1 | -1.4 | .3 | .4 | 1 | 1280 |
| Lubys Cafe | LUB | 27.00 | 25.50 | 26.88 | .38 | 1.42 | 28.25 | 23.19 | -.24 | .64 | 5.90 | 3.63 | 1.45 | .27 | Q | 21.7 | 23.0 | 9.1 | 17.8 | .48 | 1.8 | 03-09-82 | 108.2 | 9.8 | 1.1 | .9 | 6 | 0881 |
| Marcus Corp | MRCS | 5.63 | 5.38 | 5.50 | -.13 | -2.22 | 7.28 | 5.00 | -.34 | -.35 | -1.71 | 19.74 | 1.15 | .04 | N | 3.5 | 7.0 | 5.8 | 4.7 | .00 | .0 | 08-24-81 | 105.3 | 6.1 | .8 | 2.9 | 9 | 0581 |
| Marriott Corp | MHS | 39.25 | 35.88 | 39.00 | 3.00 | 8.33 | 47.00 | 31.63 | -.07 | .59 | 2.27 | 6.65 | 3.20 | .60 | F | 23.0 | 28.0 | 4.3 | 12.2 | .30 | .8 | 03-22-82 | 1718.7 | 72.0 | .9 | 22.4 | 12 | 1280 |
| McDonalds Cp | MCD | 70.00 | 65.25 | 69.88 | 3.88 | 5.87 | 72.88 | 56.75 | .36 | .38 | 1.41 | -3.41 | 6.54 | 1.05 | F | 19.1 | 19.0 | 10.5 | 10.7 | 1.00 | 1.4 | 10-27-81 | 2184.3 | 220.9 | .7 | 24.2 | 28 | 1280 |
| Morrison Inc | MORR | 10.25 | 9.75 | 10.25 | .63 | 6.49 | 13.63 | 8.13 | .49 | 1.01 | 3.16 | .79 | .95 | .15 | N | 16.6 | 7.0 | 3.9 | 9.8 | .36 | 3.5 | 04-12-82 | 319.8 | 12.4 | 1.3 | 2.7 | 7 | 0581 |
| Mr Steak | MSST | 2.63 | 2.50 | 2.50 | -.13 | -4.76 | 4.50 | 2.13 | -.58 | -.25 | -5.83 | 34.62 | .22 | .10 | Q | 76.9 | -26.0 | .5 | 10.9 | .02 | .8 | 05-29-80 | 55.7 | .3 | 1.4 | 3.4 | 5 | 0981 |
| Nathans Famous | NATH | 1.00 | 1.00 | 1.00 | .00 | .00 | 1.88 | .63 | -1.01 | -.63 | -9.36 | 50.00 | -.87 | -.42 | N | NE | NE | -7.9 | NE | .00 | .0 | 00-00-00 | 21.5 | -1.7 | .4 | .2 | 2 | 0381 |
| Oakbrook Cons | OKCO | 9.25 | 9.00 | 9.00 | -.25 | -2.70 | 12.25 | 9.00 | -.16 | -.72 | -2.86 | .00 | 1.74 | .04 | Q | 2.5 | 13.0 | 1.3 | 5.6 | .32 | 3.6 | 12-10-81 | 133.4 | 1.7 | .8 | 5.6 | 13 | 0981 |
| Orange-co | OJ | 9.25 | 6.88 | 8.63 | .50 | 6.15 | 11.38 | 6.88 | -.81 | -1.31 | 2.52 | -52.72 | 1.01 | .12 | S | 13.4 | 25.0 | 5.4 | 8.5 | .20 | 2.3 | 02-22-82 | 76.2 | 4.1 | 1.9 | 10.2 | 7 | 0881 |
| Piccadilly Caf | PICC | 17.13 | 15.75 | 16.88 | 1.25 | 8.00 | 19.00 | 13.50 | .59 | -.74 | -.92 | -21.62 | 1.30 | .16 | S | 12.8 | 16.0 | 6.1 | 12.0 | .48 | 2.8 | 03-09-82 | 127.2 | 7.8 | 1.7 | .0 | 6 | 0681 |
| Pizza Inn | PZA | 5.75 | 4.75 | 5.38 | .63 | 13.16 | 11.50 | 4.75 | -.06 | -.35 | 2.23 | 16.67 | .50 | -.08 | F | -13.7 | -5.0 | 1.0 | 10.8 | .00 | .0 | 00-00-00 | 120.7 | 1.7 | 1.1 | 14.0 | 6 | 1280 |
| Pizza Time Thea | CHKY | 26.50 | 23.75 | 26.00 | 2.25 | 9.47 | 28.25 | 18.00 | .32 | .34 | 4.66 | -14.19 | .58 | .58 | F | NC | 81.0 | 7.2 | 44.8 | .00 | .0 | 00-00-00 | 11.4 | .1 | 1.3 | .4 | 1 | 1280 |
| Ponderosa Sys | PON | 16.13 | 13.63 | 16.00 | 3.00 | 23.08 | 19.75 | 11.75 | .49 | 2.19 | 2.27 | 42.50 | .60 | .41 | N | 39.4 | 3.0 | .8 | 11.0 | .40 | 2.5 | 03-08-82 | 329.6 | 2.6 | .8 | 22.3 | 15 | 0281 |
| Ramada Inns | RAM | 6.13 | 5.50 | 5.75 | -.25 | -4.17 | 12.50 | 5.00 | .44 | -1.79 | 1.78 | -3.52 | -.84 | -1.43 | F | -242.3 | -25.0 | -5.5 | NE | .12 | 2.1 | 10-19-81 | 366.1 | 15.1 | .8 | 14.4 | 6 | 1280 |
| Restaur Assc | RA | 4.63 | 4.25 | 4.50 | .25 | 5.88 | 8.25 | 4.00 | -.11 | -.49 | -2.25 | 1.85 | .97 | .33 | F | 51.5 | 29.0 | 2.4 | 4.6 | .00 | .0 | 00-00-00 | 95.8 | 1.5 | 1.3 | 3.9 | 5 | 1280 |
| Saga Corp | SGA | 26.63 | 22.38 | 26.13 | 4.13 | 18.75 | 26.63 | 14.25 | .50 | .44 | 5.53 | -24.63 | 2.36 | 1.33 | S | 75.5 | 18.0 | 1.4 | 8.5 | .56 | 2.1 | 02-11-82 | 819.0 | 11.6 | .9 | 9.3 | 15 | 0681 |
| Sea Galley | SEAG | 9.63 | 8.88 | 9.63 | .50 | 5.48 | 17.88 | 6.88 | .24 | .65 | .75 | -3.67 | .68 | .13 | F | 23.6 | 50.0 | 4.5 | 14.2 | .00 | .0 | 06-02-81 | 22.9 | 1.3 | 1.6 | 2.3 | 2 | 1280 |
| Servico Inc | SRVI | 9.50 | 9.25 | 9.25 | .00 | .00 | 13.00 | 7.00 | .15 | -.72 | -6.26 | -39.71 | 1.10 | 1.34 | N | 183.5 | 22.0 | 2.5 | 4.5 | .00 | .0 | 00-00-00 | 114.4 | 2.9 | 1.0 | 50.1 | 4 | 1280 |
| Shoneys Inc | SHON | 16.00 | 14.88 | 15.88 | 1.00 | 6.72 | 16.00 | 11.91 | .37 | .83 | 4.47 | 7.20 | 1.03 | .24 | Q | 27.2 | 21.0 | 5.5 | 14.2 | .16 | 1.0 | 03-29-82 | 269.4 | 14.8 | 1.0 | 2.0 | 5 | 1081 |
| Sonesta Hotel | SNSTZ | 10.50 | 10.50 | 10.50 | .00 | .00 | 15.00 | 9.25 | .35 | -.24 | 5.42 | 10.67 | .94 | -1.30 | F | -58.0 | 64.0 | 1.4 | 11.2 | .20 | 1.9 | 12-28-81 | 137.2 | 5.0 | 1.0 | 19.1 | 9 | 1280 |
| Steak n Shake | STAK | 2.75 | 2.75 | 2.75 | .00 | .00 | 3.13 | 2.31 | -.31 | -.23 | -2.03 | -56.98 | .06 | -.11 | Q | -73.3 | -36.0 | .5 | 68.8 | .00 | .0 | 05-17-79 | 56.5 | .3 | 1.2 | 4.6 | 3 | 0981 |
| Valles Steak | VLE | 5.50 | 4.38 | 5.38 | 1.13 | 26.47 | 7.38 | 4.25 | -.15 | -.59 | 1.85 | -62.50 | -.22 | .18 | S | NE | -23.0 | -.9 | 134.4 | .00 | .0 | 11-01-78 | 65.6 | -.6 | 1.3 | 7.8 | 10 | 0381 |
| Victoria Stations | VSTA | 11.00 | 10.00 | 10.88 | .88 | 8.75 | 11.25 | 6.25 | .65 | 1.54 | 3.77 | 10.99 | -1.85 | 2.11 | N | NE | -32.0 | -4.3 | 90.6 | .00 | .0 | 09-19-79 | 134.5 | -5.8 | 1.0 | 9.0 | 10 | 0381 |
| Volunteer Cap | VLCC | 9.13 | 8.63 | 9.13 | .63 | 7.35 | 9.13 | 6.38 | .75 | -.28 | 4.02 | -10.25 | .67 | .72 | F | NE | 7.0 | 2.1 | 13.6 | .00 | .0 | 00-00-00 | 62.1 | -.1 | .6 | 13.7 | 6 | 1280 |
| Wendys Intl | WEN | 16.13 | 14.88 | 15.88 | .75 | 4.96 | 19.38 | 12.25 | .84 | -.16 | .32 | 12.19 | 1.52 | .16 | F | 13.4 | 29.0 | 7.5 | 10.4 | .28 | 1.8 | 02-22-82 | 347.0 | 30.1 | .5 | 1.9 | 6 | 1280 |
| Webb Del E | WBB | 8.75 | 7.00 | 8.13 | 1.13 | 16.07 | 13.25 | 4.88 | 1.63 | .24 | 4.46 | -15.80 | .56 | .14 | F | 33.3 | -13.0 | 1.1 | 14.5 | .00 | .0 | 11-07-80 | 486.0 | -4.6 | 1.6 | 21.8 | 13 | 1280 |

*KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year*
** Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

# FINANCIAL NEWS

## Sambo's registers $53M net loss in '81

CARPENTERIA, Calif.—Sambo's reported a $53 million net loss for the year ended Dec. 31, compared with an $11.6 million loss in 1980.

The financially ailing company, operating under Chapter XI of the Federal bankruptcy laws since last November, reported a fourth quarter loss of $23.2 million on revenues of $93.4 million. This compared with a $2.3 million loss on $118 million in revenues for the same quarter of the prior year.

The 1981 loss included $9 million in tax credits and a fourth-quarter charge of $11.8 million in expenses related to restaurant closings. Sambo's closed 450 restaurants during fiscal 1981, 446 of which were shuttered over a two-week period in the fourth quarter.

Total 1981 revenues were $461.3 million, compared with revenues of $491.1 million for 1980.

Sambo's operated 668 family-style restaurants at year-end. The company filed for protection under Chapter XI in November and has since experienced a house-clearing in its executive suite.

Daniel R. Shaughnessy, who was brought in as Sambo's chief executive in late 1979, was ousted earlier this year. City Investing, which owns 34% of Sambo's and controls its board, brought in Robert Luckey as chairman and ceo to replace Shaughnessy. Luckey was formerly president and chief executive officer of Lafayette, La.-based Chart House Inc.

Also brought in from the outside were former Hardee's executives Roger Kisiel and Ralph Peterson, who were named Sambo's president/chief operating officer and vice president chief financial officer respectively.

### EARNINGS REPORT

| Company | Period | Period Ended | Total Sales* | % Change | Revenues*† | % Change | Net Income (Loss)* | % Change |
|---|---|---|---|---|---|---|---|---|
| **Beefsteak Charlies** | 12 wks. | 1/23 | | | $ 21.216 | 51 | $ 0.916 | 74 |
| **Domino's** | 1 yr. | 12/31 | $179.250 | 62 | | | 1.800 | 28 |
| **Int'l Dairy Queen** | 3 mos. | 2/26 | | | 15.956 | – 3 | 0.134 | –38 |
| **JB's Restaurants** | 24 wks. | 3/14 | | | 18.907 | 26 | 0.489 | 52 |
| | 12 wks. | 3/14 | | | 9.429 | 25 | 0.162 | 49 |
| **Marcus Corp.** | 36 wks. | 2/4 | | | 72.499 | 1 | 4.406 | 0 |
| | 12 wks. | 2/4 | | | 20.322 | – 5 | 0.384 | –49 |
| **Morrison Inc.** | 9 mos. | 2/27 | | | 264.600 | 12 | 10.800 | 15 |
| | 3 mos. | 2/27 | | | 90.100 | 11 | 3.700 | 27 |
| **Pizza Inn** | 1 yr. | 12/31 | | | 138.814 | 11 | 1.399 | –18 |
| | 3 mos. | 12/31 | | | 35.062 | 6 | 0.030 | –92 |
| **Restaurant Associates** | 1 yr. | 12/26 | 99.175 | 3 | | | 3.279 | 65 |
| | 3 mos. | 12/26 | 24.464 | 2 | | | 0.398 | –35 |
| **Sambo's** | 1 yr. | 12/31 | 461.300 | – 6 | | | (53.000) | — |
| | 3 mos. | 12/31 | 93.400 | –21 | | | (23.200) | — |
| **Taco Viva** | 9 mos. | 2/28 | 9.245 | 28 | | | 0.400 | 75 |
| | 3 mos. | 2/28 | 3.079 | 4 | | | 0.195 | 68 |

Source: *Company earnings reports*

*—loss in corresponding period*
**In millions*
***loss in previous period*
*†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.*

## RA earnings climb 65% in 1981

NEW YORK—Restaurant Associates Industries Inc., a New York-based operator of restaurants, lodging facilities and gift shops, said its 1981 net income rose 65%, to $4.3 million, over the prior year.

Sales increased 4%, to $99.2 million.

The net income in part reflected a gain on the purchase of debentures, disposal of facilities, and extraordinary tax credits. Excluding these, income from regular operations rose 29%, to $2.9 million, over 1980.

A publicly held company, Restaurant Associates operates more than 50 food-service outlets, including the 12-unit Charlie Brown's steakhouse chain in New Jersey, and several lodging facilities along the Eastern Seaboard from Maine to Florida. It also operates 115 newsstands and gift shops in seven cities across the country.

## ARA closes merger deal with Means

PHILADELPHIA—ARA Services Inc. has closed a definitive merger agreement with Means Services Inc., a Chicago-based linen rental and uniform rental company.

ARA, which provides food, health, transportation and other services including uniform rentals, will pay $37 a share for Means' slightly more than 1.2 million common shares outstanding. The transaction reportedly is valued at $45.2 million.

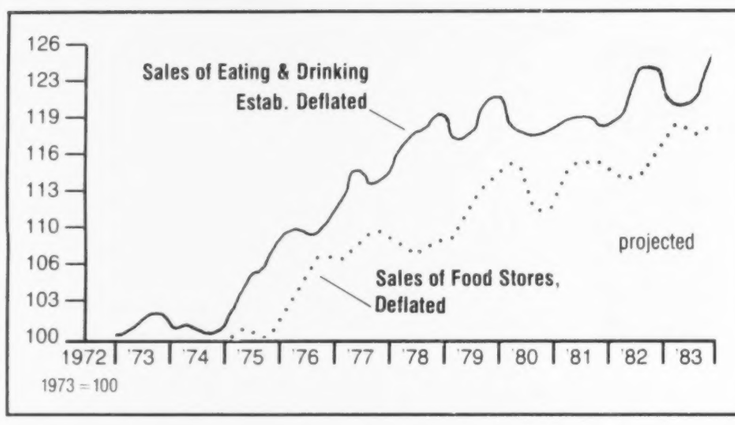
Earlier last month, Means endorsed a $40.6 million merger bid from Sketchley Public Ltd., operator of a textile and linen service in Britain.

In February, Means rejected a cash and debenture offer worth $49.2 million from a group of businessmen. The Means board cited the "investment risk" of the debentures in their rejection of the bid.

***NRN* FOCUS**
on
**CHICAGO**
*Coming Soon*

# L/F ECONOCYCLE

## 'Marginal gains' ahead for 2nd qtr. sales




**Eating & Drinking Estab.**

| Sales Change By Quarter | '81 1Q % | '81 2Q % | '81 3Q % | '81 4Q % | '82* 1Q % | '82* 2Q % | '82* 3Q % | '82* 4Q % | 12-Month % Change '80 % | '81 % | '82* % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales include inflation | 7.4 | 11.4 | 10.0 | 8.6 | 7.2 | 6.6 | 10.4 | 11.1 | 8.7 | 9.3 | 8.9 |
| Real sales (Deflated)* | –2.1 | 2.1 | 1.1 | 0.5 | 0.9 | 0.1 | 3.4 | 3.7 | –0.7 | 0.4 | 2.0 |

Base = Dec. 1981 Sales
*Projected

Even though general retailing is on a comeback trail and is projected to pick up momentum each month through the balance of the year, the L/F spending indicator (below) continues to project a lower and slower trendline for consumer purchasing through the balance of 1982.

Over the next three months, in fact, the spending indicator will continue to slip compared with retail sales trends.

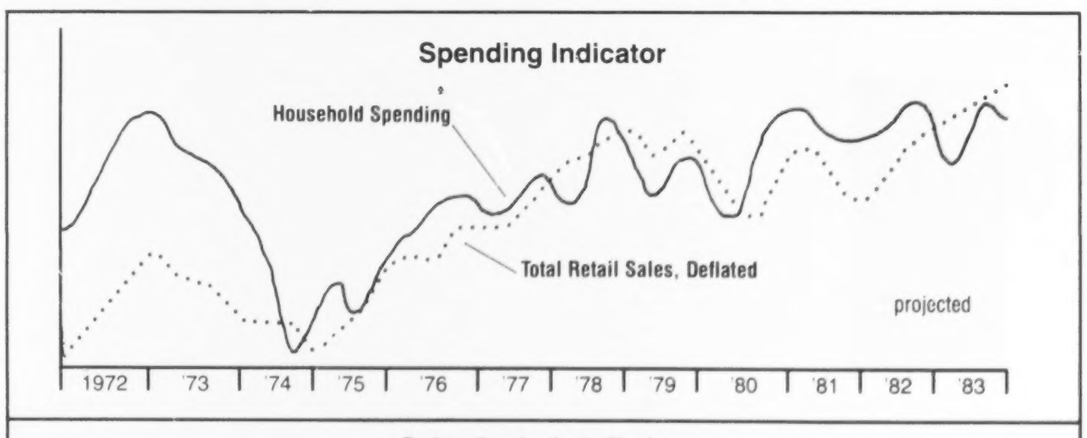
When first quarter sales are finally tallied, they should show a decline of 3% vs. the same period last year. This figure should be reduced by half in the second period, Econocycle projects, as key sectors of the retail economy begin to heat up and post regular increases again.

The recovery rate will hinge on how well the consumer reacts to the spring thaw around the country. Still an uncertain factor will be the size and length of the expected spending spree unleashed by tax rebates this month, most top retailers admit.

**The L/F Econocycle projection** for food service continues to show a steady pickup in sales—and marginal gains through the second quarter. By June, L/F's computer model forecasts sales increases in the 1%-2% range—and the start of a steady rise that will lead to solid gains in the third period.

Eating-out continues to outpace at-home food sales by at least four months and compares favorably with other key retail sectors.

- Drug stores, for example are moving at a strong recovery rate and matching the strides made by general retailing.
- Apparel specialty stores are set for a strong first half—but may be heading for a flat final six months.
- Discounters also mirror general retail trends and appear to be moving toward gains in the third quarter, although at a slower pace.




**Sales/Include Inflation**
**% Change By Quarter**

| | | Total Retail Stores | Food Stores | Eating & Drinking | Building Materials Hardware Stores | Drug Stores | Furniture & Appliance Stores | Apparel Stores | General Merchandise Stores | GAF Stores |
|---|---|---|---|---|---|---|---|---|---|---|
| 1981 | 1Q | 9.9 | 10.5 | 7.4 | 8.4 | 10.4 | 8.4 | 9.8 | 7.9 | 8.4 |
| | 2Q | 12.3 | 10.7 | 11.4 | 15.2 | 10.3 | 9.0 | 8.7 | 12.5 | 10.9 |
| | 3Q | 10.2 | 9.4 | 10.0 | 7.4 | 8.7 | 5.0 | 8.3 | 9.5 | 8.2 |
| | 4Q | 5.5 | 8.4 | 8.6 | – 4.2 | 7.0 | 1.6 | 4.9 | 6.3 | 5.0 |
| 1982 | 1Q* | 2.3 | 7.6 | 7.2 | –10.3 | 7.1 | –0.2 | 1.2 | 3.6 | 2.3 |
| | 2Q* | 2.5 | 7.2 | 6.6 | – 0.8 | 6.7 | 5.2 | 3.0 | 3.3 | 3.6 |
| | 3Q* | 4.1 | 7.7 | 10.4 | 8.5 | 7.4 | 7.1 | 3.5 | 7.5 | 6.6 |
| | 4Q* | 6.4 | 8.4 | 11.1 | 10.9 | 6.4 | 6.9 | 4.9 | 9.9 | 8.2 |
| % change 12 mos. | 1980 | 7.7 | 10.8 | 8.7 | – 3.2 | 11.9 | 4.7 | 4.6 | 5.9 | 5.4 |
| | 1981 | 9.4 | 9.7 | 9.3 | 6.5 | 9.0 | 5.9 | 7.9 | 9.0 | 8.1 |
| | 1982* | 3.8 | 7.7 | 8.9 | 1.7 | 6.9 | 4.7 | 3.1 | 6.1 | 5.2 |

**Real Sales (Deflated)***
**% Change By Quarter**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1981 | 1Q | 0.4 | – 1.4 | – 2.1 | – 1.2 | 0.2 | 2.2 | – 5.9 | 0.9 | 2.2 |
| | 2Q | 3.6 | 0.3 | 2.1 | 6.0 | 0.3 | 3.0 | 4.5 | 5.8 | 4.9 |
| | 3Q | 2.4 | 1.2 | 1.1 | 0.5 | – 1.1 | –0.6 | 3.9 | 3.2 | 2.5 |
| | 4Q | – 1.1 | 3.6 | 0.5 | – 9.3 | – 2.4 | –3.8 | 1.7 | 0.9 | 0.1 |
| 1982 | 1Q* | – 3.1 | 2.5 | 0.9 | –13.0 | – 0.8 | –5.6 | – 1.9 | – 1.2 | – 2.3 |
| | 2Q* | – 1.7 | – 0.4 | 0.1 | – 4.0 | 0.7 | – 1.2 | – 0.0 | – 1.2 | – 1.0 |
| | 3Q* | 1.3 | – 0.2 | 3.4 | 2.2 | 2.8 | – 0.3 | 0.6 | 2.8 | 1.7 |
| | 4Q* | 4.6 | – 0.2 | 3.7 | 2.1 | 2.4 | – 0.8 | 1.4 | 3.9 | 2.4 |
| % change 12 mos. | 1980 | – 2.6 | 3.0 | – 0.7 | –12.4 | 2.5 | – 1.4 | 0.1 | – 1.5 | – 1.2 |
| | 1981 | 1.3 | 0.9 | 0.4 | – 1.1 | – 0.8 | 0.2 | 4.0 | 2.7 | 2.4 |
| | 1982* | 0.2 | 0.4 | 2.0 | – 3.5 | 1.3 | – 2.0 | 0.0 | 1.1 | 0.2 |

Base = Dec. 1981 Sales
*Projected

### About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

This sandwich took
over 25 years to make...
25 years of perfecting wafer-sliced sandwich meats. Put that experience to work for you.
Call toll free:
800-323-3222.
Land O'Frost
FOOD SERVICE
16825 Chicago Avenue
Lansing, Illinois 60438

# Luby's executives minimize threat of Furr's expansion

By Charles Forman

NEW YORK—Top Luby's Cafeterias executives scoffed at suggestions they might be hurt by expansion of K mart-backed Furr's in key Texas markets and firmly predicted 20% increases in net profit for Luby's for each of the next two fiscal years.

The executives of the San Antonio-based, 61-unit cafeteria chain, George H. Wenglein, board chairman and chief executive officer, and John B. Lahourcade, president and chief operating officer, made their comments at a meeting of the New York Society of Securities Analysts here last month and in private conversation afterward.

Lahourcade said Luby's would stick to its plan to add units at a 10% a year rate both this year and next. Lahourcade said Luby's would open five new cafeterias in fiscal 1982, all in Texas, and six new cafeterias in fiscal 1983, five in Texas and one in the Tulsa, Okla., area.

Luby's has just two cafeterias outside Texas now, one in Tulsa and one in Rosewell, N.M. Twelve are in San Antonio and 13 in Houston.

Furr's has said it will build 25 new cafeterias this year. The company had 83 units in operation at the end of 1981.

A Furr's spokesman recently said, "We could double in size in the next three or four years." New Furr's are going up in several areas of the country on the "pads"—parking lots—of existing K marts.

Dallas, where Luby's has four units, is apparently one of Furr's targets. But, Lahourcade said, even in Dallas locations where Furr's were built "down the street," Luby's was not negatively affected for long.

"At first sales would drop about 10%, but then they'd go back up."

Weinglein and Lahourcade said they based their confidence on past successes in building strong store management teams and rigid adherence to a conservative expansion plan.

Luby's unit managers and associate managers do not receive salaries but are compensated with a percentage of gross profits. Last year cafeteria managers made an average of $110,000 and associate managers $56,000.

Forty-four unit managers have been with the company more than 10 years.

Most Luby's have a five-person management team: one manager, one associate manager, three assistant managers.

Management personnel are recruited from other businesses and put into a three-month training school. Pay is at an annual rate of $18,000. At the end of three months they get a raise to $19,200 and spend several weeks working in different units. Then they join single units as assistant managers.

*Government marketing specialists see cafeterias as the hottest growing food-service segment for the 80's. See story, page 54.*

They are expected to spend five or six years as assistant and associate managers before they take over a cafeteria as managers.

The company conducts four training schools each year with 20 students in each class. About 25%-30% of management employees leave the company within their first year, and another 5% during the next two years of employment, Wenglein said.

Given Luby's own experiences, Wenglein indicated in strong terms that he felt Furr's expansion was overambitious.

"Maybe they know something about training managers that we don't," he said. "As highly labor-oriented as cafeterias are, I believe they're going to have trouble."

Lahourcade said that the 20% a year profit gain he was projecting would come from new units.

Wenglein said the company would continue to adhere rigidly to its policy of internally financing new cafeterias and only building on the fringes of current market areas.

He said that the company now had an inventory of $4.4 million worth of land already purchased and awaiting development. He said Luby's had decided on a policy of placing real estate in inventory "to ensure even development."

Wenglein said new freestanding units were costing the company $2 million-$2.4 million. Lahourcade broke this down to $300,000-$500,000 for land, $1-$1.2 million in building costs and $300,000-$450,000 for equipment and other improvements. He said the highest new unit costs were being incurred in Houston. He put average leasehold improvements for a mall location at $500,000-$700,000.

Luby's has 16 units in regional malls, 16 in strip centers and 29 are freestanding. Average cafeteria size is 10,000 sq. ft., with seating for 250 to 350 in carpeted dining rooms.

Wenglein and Lahourcade said they felt that their profit predictions were quite secure even in the face of cost pressures.

Wenglein said that in recent years the company had been very successful in passing along a series of small price increases.

He said the current per person tray average is $3.63, up 6% from a year ago. Menu prices are also up an average of 6%.

The last price increase was taken in December when coffee and tea went from 30¢ to 35¢. Service personnel circulate giving free refills of both beverages.

Current food costs are 30% of sales; labor, excluding manager and associate manager compensation, is 27%. The greatest cost pressures are coming from areas like energy and new equipment, the executives said.

The Texas economy is strong, Lahourcade indicated. Unemployment is less than 6% statewide and less than half that in major Luby's markets.

The Luby's officers noted that customer counts had been increasing for almost a year and were up 2.67% for the second quarter of fiscal 1982, ended Feb. 28, over the same period last year.

Reported net profit for the period was up 18% to $2.55 million. Revenues were up 20% to $30.7 million. For the first six months net profit increased 18% to $5.1 million and revenue 20% to $61 million.

Revenues include sales in Luby's company-owned units plus fees earned from managing seven cafeterias for others.

The company has an option to buy these cafeterias in 1984 when the current management contract expires. Lahourcade said that under its terms, if the option agreement were exercised today, the purchase price for the seven would be $1 million. He said that current profits from the seven were about $1 million a year. "A price/earnings ratio of one," he joked.

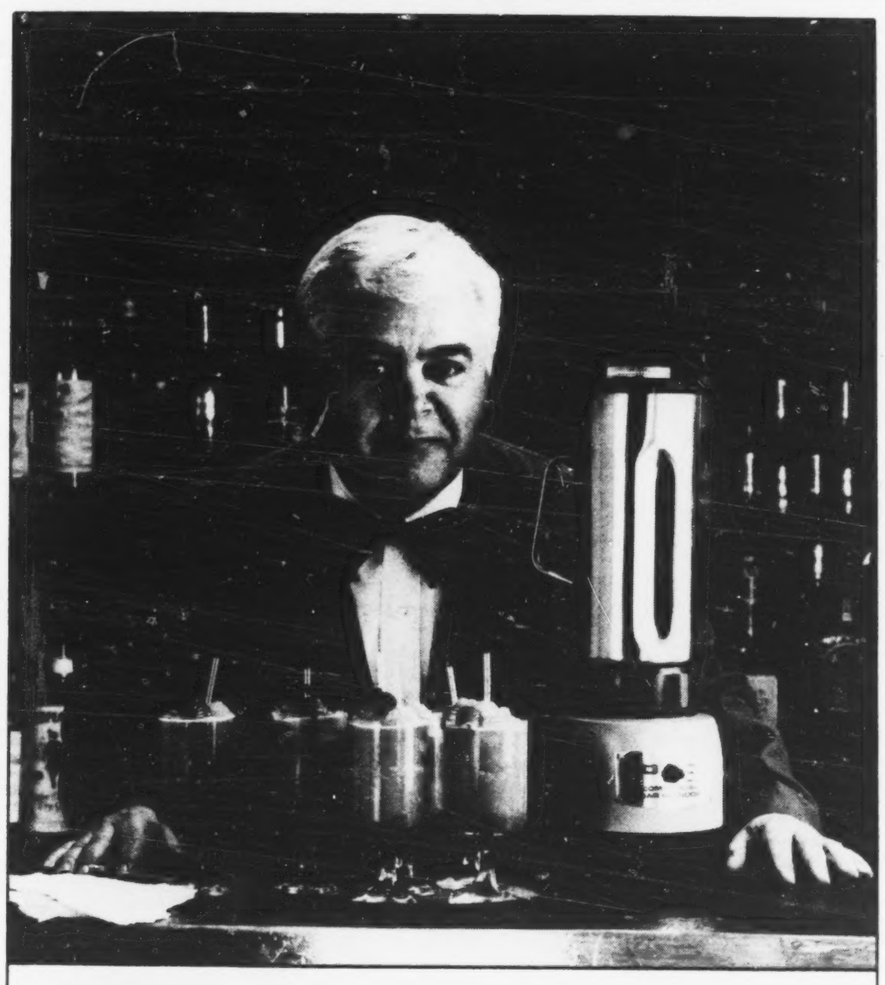
Luby's rate of business should increase toward the end of its fiscal year. August is traditionally one of the company's heaviest business periods.

## *MAJOR PUBLICLY OWNED CAFETERIA CHAINS*

| | Luby's Cafeterias Inc. Aug. 31, 1981* | Morrison's May 31, 1981 | Piccadilly June 30, 1981 |
|---|---|---|---|
| Number of Owned Cafeterias | 59 | 141 | 79 |
| Revenues (millions) | $110.2 | $320.7 | $127.2 |
| Net Income (millions) | $9.8 | $12.9 | $7.8 |
| Five-year Compound Growth Rate | | | |
| Revenues | 18.9% | 17.3%** | 11.9% |
| Earnings (Net Income) | 25.9% | 7.7%** | 12.9% |
| Return on Average Equity | | | |
| Latest Year | 26.4% | 15.3% | 21.8% |
| Last Five Years | 27.5% | 19.3% | 22.4% |
| Net Income Margin | | | |
| Latest Year | 8.9% | 4.0% | 6.2% |
| Last Five Years | 8.1% | 5.1% | 5.9% |
| Average Sales Per Unit | | | |
| Latest Year (millions) | $2.19 | $1.49 | $1.60 |

Source: *NRN Research*

**Fiscal year ended*
***Four year growth rate because restated data for 1976 not shown in 1981 report*



Blend 'em up, Joe.

Waring heavy-duty motors, durable die-cast parts and drive mechanisms are specially designed for busy bars.

We have three great tools for bartenders. Put them to work for you.

**Bar Blendor®**
BB-300S
32 Oz. Stainless
BB-100, 40 Oz.
Thermoplastic

BB-300G
40 Oz. Glass

New! BB-900
2-Speeds
32 Oz. Stainless

**Bar Blendor®**
HGB-300
½ Gallon
Stainless
2-Speeds
(shown above)

**Bar Mixers**
DMC 25
2-Agitators
2-Speeds

DMC 60 New!
Quick Action
1-Speed
Auto On/Off
Stainless
Container
(Optional)
28 Oz. CAC-20

WARING
COMMERCIAL

Nothing outworks a Waring, made tough in America.

Waring Products Division, Dynamics Corporation of America, New Hartford, CT 06057

RESTAURANT EXCHANGE

A COMPLETE CLASSIFIED ADVERTISING SERVICE FOR THE FOOD SERVICE INDUSTRY

MORE CLASSIFIED ON PRECEDING PAGES

FOR SALE

**SALE OR LEASE**

2 free-standing bldgs., 2 years old, drive thru. Natural gas. Formerly Popeye's Chicken and Burger Queen. Approx. 2,500 sq. ft. Located Madisonville, Ky. and Clarksville, Tenn. Call 502-886-0285 or write:

**Ken Morris Realtors**
**2919 Fort Campbell Blvd.**
**Hopkinsville, Kentucky 42240**

**TIRED OF THE RAT RACE**

Charming theme restaurant on California's Central Coast located in cozy country town. Liq. Lic., first class equip. and fixtures plus excellent landlord. Total price: $295,000. Terms. Contact:

**Mary Hanson**
**Owner/Bkr.**
**(805) 238-1555**

**STEAMBOAT SPRINGS COLORADO**

6000 sq ft bar-restaurant. Priced to sell all or part to an owner / operator. Owner will consider any offer, and Owner can carry back paper. Very favorable lease extends to 1997. Lease includes 1000 sq ft deck. It can be enclosed with no rent increase. Located in mall at new Sheraton Hotel above main lift at ski area base.

**Contact Jack Kaufman**
**303-879-3179 or 6496**
**GREAT OPPORTUNITY!**

**ORMOND BEACH LANDMARK**

Family owned & operated, serving local clientele & winter guests in Ormond Beach, Fla. since 1922. Tap room & grill w/dining & banquet facilities. Full liquor license w/ real estate included. Financing available to qualified buyer. Contact:

**Haywood Brown, Inc.**
**Mr. Kenneth Hill**
**PO Box 5128**
**Daytona Beach, FL 32018**
**(904) 252-5546**

**SALES/LEASE**

Fully equipped Sambo Restaurant, 2670 Kirkwood Highway, Wilmington, DE. 4,500 sq. ft. bldg.—3 years old on 1.5 acres. Immediate occupancy. Available for lease with option to buy. Extremely favorable terms. For more information contact:

**MR. WILLIAMS**
**INVESTAMERICA, INC.**
**P.O. Box 776**
**N. Miami, Florida 33161**
**305/371-9400**

**FLORIDA**

GULF FRONT REST-Lounge Gross over $800,000, only $150,000 dn.
FAST FOODS Hwy—US 19—Clearwater. Gross $120,000 only $20,000 dn.
COCKTAIL LOUNGE-PKG Net $140,000. Asking $125,-000 dn.

**INVESTORS EXCHANGE REALTY**
**The Rest Brokers**
**Call Collect Ron Hoglund**
**813-321-5185**

**MEMPHIS TENNESSEE**

4 pizza restaurants averaging 3500 sq ft each in excellent in-line locations. Owner wants to sell leasehold and equipment. Excellent terms on leases. Contact

**Mr. Thompson**
**3410 Chevington Rd.**
**Charlotte, NC 28210**

**TALLAHASSEE, FLA.** Operating rest & lounge—225 seating—8200 sq ft—100+ pkg—1½ mi fr Fla. State U—$400,000 gross—Low net lease (1960 prices)—$110,-000, $50,000 dwn—terms avail—No Brokers. Contact **Beshere Bros. Inc., #9, 110 N. Orlando Ave., Maitland, FL 32751. (305) 645-5537; 831-7974.**

**SOUTH TEXAS**

FOR SALE down in Sunny South Texas. Profitable Restaurant with owner financing. Will require about $80,000 to handle.

**Contact Harold Hoelscher**
**Hoelscher Co. Realtors**
**Phone 512-852-8286**

**FOR SALE**

N. Calif. Pizza Restaurants in prime locations. Good cash flow & track record. (Last 8 yrs.) over $1.000,-000+.

**Box 3718**
**Nation's Restaurant News**

**FAMOUS NEW ENGLAND**

Waterfront restaurant & cocktail lounge with deep water dock. Excellent condition. Rt. 1 location. $1,200,000 gross. Owner will finance. Principals only.

**Sibson (603) 436-3377**

Rustic country inn in exclusive Lake Michigan area 95 minutes from Chicago. 14 furnished bedrooms, kitchen, dining equipped for 150. $215,000. **LONG BEACH REALTY, 219-874-5209.**

**EXCEL. FAMILY REST.**
**Longmont, CO**

Sell equip. & bus., Lease bldg. & land, or purchase pkg. Hi traffic area. Owner Financing. Call or write:

**Leonard, Embassy Realty, Inc.**
**850 23rd Avenue**
**Longmont, CO 80501**
**(303) 772-8200, eves (303) 772-4029**

**Tell Them You Saw It In Nation's Restaurant News**

# New Treacher's owners prepared to reach franchisee settlement

*(Continued from page 1)*

Jr., have also served in that capacity.

The exact terms of the sale are not yet clear. They await an accounting of Treacher's assets at the time of the transaction. These, Cataland said, include 220 store locations, 73 of which are now sublet to other operators.

The new owners also inherit Mrs. Paul's troubled franchisee network. The number of units operated by Treacher's franchisees has dropped sharply from the 620 units in the system when Mrs. Paul's bought the company from Orange-co Inc. of Columbus, Ohio, in November 1979. Some have placed the number of franchisees still doing business under the Arthur Treacher's name as low as 150.

The status of the many lawsuits between Arthur Treacher's and former franchisees remains in doubt. As a new and unrelated owner of Mrs. Paul's, Lumara is granted by the courts a period in which it may try to resolve the cases out of court.

The new owners, according to Cataland, are preparing a "quite generous" offer to the franchisees now in litigation against Arthur Treacher's in Federal court in Philadelphia. He says the monetary settlement Lumara will offer is essentially the same as that offered by the franchisee association a few months ago and spurned by Mrs. Paul's. The franchisees reportedly offered at that time to pay half of the back royalties they owed the system and drop their suits against Treacher's if the company would drop its suits against them.

Royalties the franchisees have withheld from the home office since the outbreak of hostilities about 18 months ago now total, by some estimates, at least $14 million and possibly as much as $17 million.

A settlement with the franchisees in litigation, Cataland said, would also involve special consideration for those who have struck out on their own with new concepts. Management would, he said, offer them reimbursement for their new signage as well as other assistance in re-entering the Arthur Treacher's system. This applies to at least 64 former franchisees who have created new identities.

Some of them welcome the chance to rejoin Treacher's. But many of these franchisees, once among the most successful in the system, are so badly shaken by their experiences with the company that they may settle for a simple truce and continue to go it alone.

Lumara has not yet determined if it will keep the present Arthur Treacher's concept, revert to the pre-Mrs. Paul's identity, or create a new identity altogether. But the company's two owners avowed a commitment to a "cooperative development" of the concept involving physical renovation and the chain's expansion from coast to coast based on revitalized programs for cooperative advertising product development.

The company stores hold a central place in this scheme, Cataland said: "The company stores have to be showplaces both to show the franchisees that we're in this business too, and to make sure that we know about the problems they may face." Thirty of them recently closed.

In more specific terms, Cataland expects Lumara's ownership to benefit the system for two major reasons. The company has a background in franchising: Treacher's franchisees almost uniformly attribute the system's woes to Piszek's ignorance of franchising and his resulting insensitivity to matters affecting his company's licensees.

Another benefit of Lumara's ownership, Cataland said, is the company's expertise in construction and real estate development. "Today's high interest rates make it essential for any smaller chain to evade the necessity for outside financing and costly outside contractors. With our construction and development capabilities, we'll be able to do that."

Neither Piszek nor Richard Backer, executive vice president of Mrs. Paul's during his ownership, would return telephone calls asking them to comment on the reasons for the sale. A spokesman read a press release attributing the move to Piszek's current inability to finance the development and expansion of the Treacher's chain.

The company was deeply in debt and threatened to drag Mrs. Paul's down with it, according to admissions in court documents by a key financial officer for Mrs. Paul's. He swore in a signed statement that Arthur Treacher's was on the verge of bankruptcy.

The move deprives Piszek, once one of the most successful private entrepreneurs in the country, of the two large operations which had made him a powerful figure in the country's food business for three decades. His spokesman said he will now pursue "personal interests" such as his small film production company.

## COMMODITIES

## *Pork prices climbing*

*(Continued from page 3)*

Hog raisers have lost money for the past two years, both in lower prices for hogs than the cost of raising them, and because the cost of financing a herd has become prohibitive for many farmers. The lower costs of feed, combined with a drop in the interest rate, could bring hogs back into the market, since farmers can react far faster than cattle ranchers to a change in cost/profit ratios.

Look for higher red meat prices this year, although there will be yo-yo swings normal to the supply and demand law.

**Vegetable Processor Acreage Estimates**

The U.S.D.A. has provided acreage forecasts for major varieties of processing vegetables. In general, canning acreage is down on most crops, following a trend of the past several years. Again following past trends, freezer acreage is up, although it is still only a small percentage of most major vegetable crops.

The only vegetables for canning that are up in acreage are tomatoes and beets. For freezing, the only vegetable acreage that is up less than 10% is baby lima beans. Peas for canning, down 11%, for freezing, up 12%. Corn for canning, down 1%, for freezing, up 18%. Green beans for canning, down 14%, for freezing, up 10%. Cabbage for sauerkraut, down 9%. Lima beans for canning, down 18%, Fordhooks for freezing, up 36% and baby limas up 7%. Tomatoes for processing, up 32%.

Labor, transportation, energy and financing costs are all up, however, so most vegetables will not drop much, even though acreage has increased. For those which canners have continued to cut back, prices will continue to rise—even though much of the cutback is due to reduced demand for canned vegetables. Increased emphasis upon frozen and fresh vegetables have reduced consumer purchases of canned vegetables. Operators, too, have been using less canned in proportion to frozen.

**Price and Supply Roundup**

California is between or dropping out of the markets for several fresh vegetables and prices have risen as a result. Cauliflower, broccoli, lettuce and artichokes have been affected. California celery has dropped in price as new fields come on stream. West Mexican markets are taking up the slack that Florida close downs on some crops have caused on the East Coast and Midwest.

### *PRICE MOVEMENT AT A GLANCE*

| | March 26 1981 | Feb. 26 1982 | March 26 1982 |
|---|---|---|---|
| Beef, Choice, 700-900 lb., Midwest (lb.) | $ 0.94 | $ 1.01 | $ 1.06 |
| Broilers, icepack, Grade A, NYC (lb.) | $ 0.4858 | $ 0.4991 | $ 0.4683 |
| Lettuce, iceberg, California (ctn. 24s) | $ 5.50-6.00 | $ 3.00 | $ 8.00-10.00 |
| Pork Loins, 14-down, Midwest (lb.) | $ 0.8675 | $ 0.91 | $ 0.95 |
| Potatoes, frozen Idaho Ex Fancy Long (lb.) | $ 0.32 | $ 0.31 | $ 0.305 |
| Corn, gluten feed, Chicago (ton) | $111.00 | $113.67 | $110.33 |
| Cottonseed Meal, Memphis (ton) | $182.50 | $137.50 | $131.25 |
| Hominy Feed, Illinois (ton) | $100.00 | $ 64.00 | $ 65.00 |
| Sorghum, milo, #2, Gulf (ton) | $127.80 | $102.80 | $103.20 |
| Soybean meal, Illinois (ton) | $208.50 | $188.00 | $183.50 |

Source: *NRN* Research

*Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.*

CONTROL SYSTEMS

***A computer revolution in food service—Pp. 63-84***

C560-S
21-47024- I 810990
CONGRESSIONAL INFO SVC INC
JOHN KENNEDY/STI ACCQ ED
EAST-WEST HWY/STE 800
SHINGTON DC 20014

Nation's

# Restaurant News®

*The Newspaper of the Food Service Industry*

Vol. 16, No. 10 | Published every other Monday, 25 times a year, by Lebhar-Friedman Inc.; $2 a copy, $15 a year | May 10, 1982

## PAC donations tracked

WASHINGTON—Over 50% of food-service companies' Political Action Committee campaign contributions have gone to Democratic senators and congressmen, an exclusive *Nation's Restaurant News* investigation of Federal Election Commission records has revealed.

At the same time, however, over 60% of 103 political contributions made by the 10 largest restaurant chain P.A.C.'s went to Republican candidates.

The disclosures were a surprise in view of the general pro-business, pro-Republican stance of most food-service companies. This raises questions about where the P.A.C. money is being funneled. *(Full details, page 25.)*

**Senate Labor Committee chairman Orin Hatch (R-Utah) led all candidates in contributions received from food-service industry PAC's despite a surprising dollar edge for the Democratic party.**

# Chains clamp down on menu price hikes

**By Charles Forman**

Food-service operators have pushed the stop button on menu price hikes, holding recent increases to their lowest level in almost a decade.

Burger King, Church's, Hardee's, KFC, McDonald's, Ponderosa and Pizza Inn all have menu prices less than 5% ahead of year-ago levels, according to an industry study and other sources.

Chain executives attributed the fall-off to stable costs for food and energy and the absence of any increase in the minimum wage this year. Historically, pricing in the food-service industry has been cost driven.

The chain leaders said that by holding back prices they hope to maintain traffic, volume, market share and position themselves for the general economic recovery expected later this year.

Some said they had not taken increases in six, nine or even 12 months. Chart House president Bill Hyde was typical in noting, "We haven't taken a price increase since March '81. I don't see any of our food groups [Burger King, Luther's, Cisco] taking one right now. And if we do take one in the next three months, it'll be in the area of 1%-1.5%."

One interviewee indicated that, when food giveaway promotions are figured in, effective prices to customers are actually falling at many chains.

Documentation of the plunge in rate of price increases comes from Restaurant Industry Trends, a research firm in Colonia, N.J. In a report published shortly before presstime, the firm noted that the fall-off in pricing activity "is the sharpest decline we have seen in our eight years of conducting surveys."

In the months of January, February and March a group of selected fast-food and coffee shop chains followed by the research firm had prices 4.9%, 4.2%, and 4.6% over year-earlier figures for each of the months, respectively.

In the first quarter of 1981, *(Continued on page 151)*

*Averts Chapter XI*

## Druther's restructures debt

**By Rurick Telberg**

LOUISVILLE—Druther's, the Kentucky-area fast-food chain formerly called Burger Queen, has stepped back from the brink of bankruptcy with a restructured debt plan.

About $4.7 million in unsecured, short-term loans from the First National Bank of Kentucky has been converted to long-term debt with the company's assets as collateral.

In addition, the bank has extended a credit line of $3 million to $4 million to Druther's, allowing the company to bail out of leases on 25 closed stores and pay off suppliers.

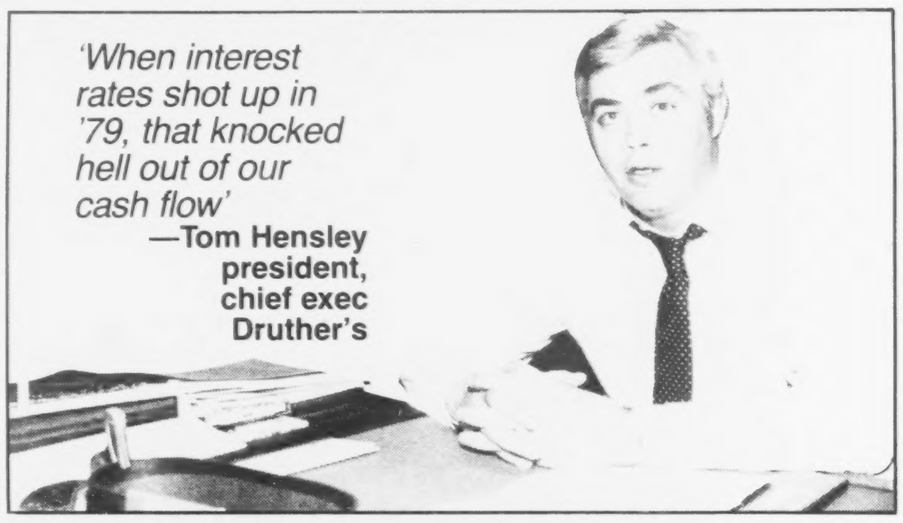
Druther's will probably write off $1.5 million to $2 million for closed stores when fiscal 1981 results are tallied, according to Tom Hensley, president and chief executive of the 162-unit chain, who said, "1981 will look like an absolute disaster." The company lost $1.1 million.

Hensley, 34, who has been president of the private company since 1980, pointed to three reasons for the company's difficulties. "When interest rates shot up in '79," he said, "that knocked the hell out of our cash flow."

"The markets we were heavy in, the coal fields, were going great until the first quarter of last year," he continued. "But then that coal strike lasted three months right where we do half our volume. That gave us a pretty swift kick."

Thirdly, he said, "The Reagan euphoria wore off when the recession started to hit the South."

*(Continued on page 151)*



**Robert Neville**

## Neville named NRA staff chief

**By Charles Bernstein**

WASHINGTON—After 14 years as staff legal counsel and a guiding force of the National Restaurant Association, Robert Neville has been unanimously selected as the new NRA executive vice president and staff chief. He had been acting staff chief since Robert Bradford resigned in January after one year in the post.

The news of Neville's selection came suddenly here at presstime as the NRA 20-person executive committee emerged from two days of an emergency meeting which had been called to give guidance to a search committee preparing to consider outside candidates for the post.

A major breakthrough came when General Mills restaurant group president Joe Lee, who will serve as NRA one-year vice president starting May 24, moved that the executive committee name Neville staff chief effective immediately. The motion was unanimously seconded and then unanimously passed.

The executive committee's decision, subject to formal approval by the full NRA board of directors meeting in Chicago May 20-22, was hailed by numerous sources inside and outside the NRA as a major step forward for the organization. "This will give the NRA sta-

*(Continued on page 151)*

*Robots fail to materialize*

## Franchisor suspected of duplicity

**By Charles Bernstein**

TORONTO—A company representing itself as the franchisor of 17 food-service chains with 338 units in Canada and 1,093 in the United States actually has few if any chains or units, a complete investigation of the company's purported operations has revealed.

Included in the list of 17 chains is the much-heralded Burger World, which for two years has been claiming it would open a revolutionary "robot" restaurant in Sarnia near Windsor, Ontario, and supposedly has sold some 40 franchise units at fees ranging from $50,000 to $200,000.

But as a scandal surrounding the company unfolded here, it was learned that there are no Burger Worlds (other than a half-completed building in Sarnia), there is no realistic prospect of any opening, and there are no known robots ready to go into action at any restaurant.

(In a March 15 editorial, this editor expressed skepticism about the ability of robots to perform in any reasonable fashion in a restaurant but reserved judgment on whether a robot restaurant ever would open. The editorial also warned about the gullibility of franchisees automatically assuming such a concept would open and would be a winner.)

According to official listings in Maclean-Hunter's Directory of Restaurant and Fast Food Chains in Canada, Global Franchise Marketing Ltd. is the franchisor of Burger World and has numerous other holdings making it the third-largest franchise operation in Canada,

*(Continued on page 11)*

## LATE NEWSBREAKS

**The Justice Department has filed an antitrust suit to block ARA Services from completing a pending acquisition of Means Services, Chicago. Means is ARA's largest Midwest competitor in the textile rental service business. Means indicated it would sell some of its textile plants, and ARA vowed to fight the Government's civil action in court.**

**A bidding war has broken out between Heublein and the General Cinema Corporation. Each has warned it might acquire up to 49% of the other's stock. General Cinema has just upped its stake in Heublein from 9.7% to 14.3%.**

**Fast-food chains will be serving wine along with burgers, fries and chicken by "the end of this decade" if beverage suppliers can solve legal and technical problems relating to new "bag and box" containers, NRA chairman Walter Conti told the new International Wine & Food Expo in Washington. (Full coverage, May 24 issue.)**

*Live via cable*

# NRA airs TV coverage of '82 show

CHICAGO—You won't have to leave your hotel room to attend the 1982 NRA Restaurant, Hotel-Motel Show, May 22-26 at McCormick Place here.

*(Full preview of Show, May 24 Nation's Restaurant News.)*

Live coverage of show exhibits, social events and interviews with industry leaders will be carried by cable from the show floor to more than 14,000 TV sets in 18 Chicago hotels.

The programming will be packaged in a TV news magazine format and called "NRA-TV TODAY." Personalities scheduled to conduct the 20 hours of show news that will be aired from Saturday afternoon until Tuesday morning include Floyd Kalber, formerly with NBC's "Today", and Joe Slattery and Nancy Sellers, both TV commentators. In addition show floor appearances by Heywood Hale Broun, CBS sports commentator, and Dr. Herb Ture, humorist, are scheduled.

The new exhibit area, the NRA Grand Concourse, will also be the scene of the "Almost Perfect Kitchen." This model of kitchen design has been put together, according to restaurant association officials, to show operators from every segment ways to cope with energy problems.

The kitchen equipment will actually be put to daily use during the show. The "Almost Perfect Kitchen" will be the scene of the United States' first American Culinary Federation-approved hot food competition.

The new exhibit area will also house the 12th annual NRA Culinary Arts Salon.

Much new is also planned to augment NRA's handling of international participation at the show. Visitors from more than 77 countries are expected to attend this year.

To facilitate their visits a complete postal and telex station will be installed at McCormick Place. A telex has also been added to the International Desk at NRA's Chicago office.

In addition, more interpreters will be available than during past shows and, for the first time, those wishing to reserve interpreters in advance will be able to do so.

Almost 200 more companies than last year, a total of 1,200, will exhibit at the 1982 show. Exhibitors will display over 6,100 distinct products and services. Over 80,000 came to last year's show. At least that many attendees are expected this time, according to show officials.

Theme of this year's 63rd annual NRA show is "We Want You." Ted Balestrari, convention committee chairman and part-owner of The Sardine Factory, Monterey, Calif., said the theme was chosen to impress on owners of independent restaurants that the NRA provides support for all its members, not just chains.

The 1982 show will be opened with a speech by Paul Harvey, the news commentator, Sunday, May 23, in the Arie Crown Theater. Political columnist George Will is scheduled to speak to the NRA Membership meeting, Monday, May 24, in the Lindheimer Room.

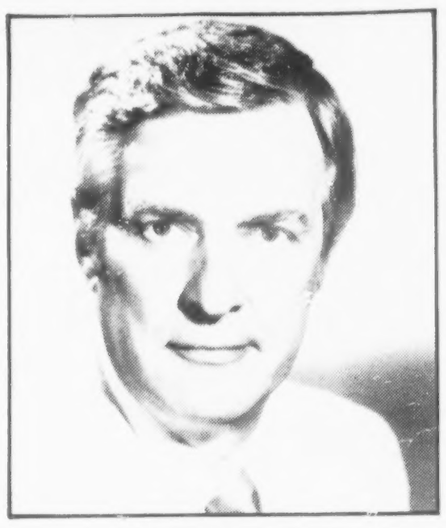
C. Northcote Parkinson, author of Parkinson's Laws, is also on the meeting program.

Numerous management clinics are scheduled for Monday, Tuesday and Wednesday. Subjects to be covered include managing labor costs, supervisory attitudes, wine merchandising, food purchasing, seafood consumption, hiring and firing, and changes in the coffee shop segment.

Executive seminars are also on the program for Saturday and Sunday, covering computer selection, budgeting, food cost control, operations analysis, site selection, restaurant design and planning, marketing, tax strategies, recruiting, menu development and catering.

Speakers at the NRA's "Theater Series for 1982" will be Kim Woods, a consultant, on the topic "What You Are Isn't Necessarily What You Will Be"; Herb Cohen, author of "You Can Negotiate Anything"; Art

*(Continued on page 152)*



**Floyd Kalber**
*NRA-TV Today host*

**Joe Slattery**
*NRA-TV Today host*

# Franchisees assuming new role as franchisors

**By Roman Czajkowsky**

Franchisee restaurant companies, which have traditionally labored in the shadow of their franchisors, are increasingly turning to restaurant concepts of their own.

The potential for more rapid growth, higher profit and a heightened public identity is proving enough of a lure to overcome any concerns company officials might have over venturing into new waters or diluting their efforts.

Franchisees that have recently turned franchisors in their own right include Chart House, primarily a Burger King operator now betting on the viability of Luther's, a barbecued ribs concept; Volunteer Capital Corp., a Wendy's franchisee whose principal growth vehicle has become Mrs. Winner's, a fried chicken fast-food chain, and Horn & Hardart, whose smattering of Burger Kings and Arby's has been overshadowed by the newly acquired, burgeoning Bojangles chicken restaurant chain.

They are heartened by the success of such veterans of the game as Shoney's, a company that began as a Big Boy franchisee but which for many years now has been franchising its own concept, Captain D's. Other companies might follow suit: Spartan Foods, a major Hardee's franchisee, has been rapidly expanding its Quincy's steakhouse chain. Though the Quincy's are not being franchised, the potential to do so in the future is there.

What's behind these moves?

By far the major motivating force is profit potential. Said Roger Lipton, a former Arthur Treacher's franchisee and now managing director of Lipton Research: "I know firsthand that anybody who's written checks monthly as a franchisee dreams of the day when they can get the checks coming the other way."

William Hyde, president and chief executive officer of Chart House, put it even more succinctly at a presentation last month before a group of analysts with E. F. Hutton. Referring to his company's newly acquired Luther's chain, Hyde said: "If each [Luther's] store does $1.25 million and pays 4% of sales as royalty, that's almost $50,000 of annual royalty income per store, about 80% of which would flow right down to pretax profits. Each store could provide about $40,000 of pretax profits to us. You can use a calculator to determine, assuming we have 25 stores or 50 or 100, how dramatically our earnings would be impacted."

That Hyde was making the point before a group of analysts is not without significance. Typically, franchisees-turned-franchisors are publicly held companies which like to hold court on Wall Street. Company management knows well that a favorable impression and subsequent "buy" recommendation can increase their company's book value almost overnight.

But for franchisees without proprietary concepts, such recognition does not always come easily. "Growth potential" are magic words on Wall Street, yet franchisees' growth is limited to the territories for which they have franchise rights.

"There almost needs to be a separate performance standard for publicly held [franchisee] companies," said M. V. (Buck) Hussung Jr., president of Volunteer Capital. "It's not really fair to compare those companies with their franchisors."

Indeed, geographical limitations play a key role in a franchisee's decision to turn franchisor.

Shoney's, for example, has territorial franchise rights for Big Boy coffee shops in only 11 states. A growth-oriented company, Shoney's already in 1969 developed Captain D's, a fast-seafood chain that has the po-

*(Continued on page 152)*

# Immigration bill places burdens on food-service operators

**By Ken Rankin**

WASHINGTON—The Reagan Administration endorsed pending Federal immigration legislation which would hold restaurant operators and other employers legally responsible for screening illegal aliens out of the work force.

But in endorsing the controversial immigration plan, Attorney General William French Smith urged Congress to peel back some of the stiff criminal penalties and other employer sanctions contained in the pending bill.

Lobbyists for the food-service industry have already voiced vigorous opposition to the Congressional proposal as well as to an earlier Reagan Administration illegal alien plan on grounds that Federal requirements for checking the immigration status of job applicants would impose severe burdens on restaurant operators.

Only last year National Restaurant Association acting president Robert Neville warned the Senate immigration subcommittee that many food-service operators would not be able to "absorb [the cost of] an additional investigative responsibility" required by such an illegal alien screening system.

Neville also maintained that immigration status verification requirements would force restaurants to practice employment discrimination since operators would be reluctant to hire anyone who looks or sounds foreign "in order to play it safe."

Although other industry groups have also raised concerns about the proposed new immigration rules, restaurant leaders are particularly irate over the plan because of the disproportionate number of aliens employed by food-service operators.

According to the latest Census Bureau estimates, there are between 3.5 million and 6 million undocumented aliens in the United States today, and that number is increasing at the rate of 500,000 annually. Many of these illegal aliens are ultimately hired as unskilled workers by food-service operators, an official at the Immigration and Naturalization Service told *Nation's Restaurant News.*

The pending Congressional legislation would require job applicants to provide employers with proof of immigration status and businesses would be required to keep records of each new employee's identification for at least five years.

The bill—which is being sponsored by Senate immigration committee Chairman Alan Simpson (R-Wyo.) and Rep. Romano Mazzoli (D-Ky.) who heads the House immigration

*(Continued on page 152)*

## HIGHLIGHTS IN THIS ISSUE


**8** Fast feeders should concentrate on improving the hamburger—still the No. 1 seller—says *NRN* editor Charles Bernstein in an editorial.

**37** Wine & spirits columnist Mort Hochstein points out the need for restaurant operators to take a personal interest in preparing wine lists.

**41** An 11th-hour effort to block the U.S.D.A.'s pending beef-grading changes has been mounted by a diverse group including the NRA, consumer and cattlemen's groups.

**42** A unique "joint venture" program for unit managers has helped the Golden Corral budget steakhouse chain to soar above the competition.

**49** As the result of unusually heavy rains in California's Salinas Valley, operators can expect higher prices on several fruits and vegetables in the near future.

**87** Financially strapped franchisees are obtaining much-needed expansion capital through a unique system of lease partnerships.

**89** Convenience stores are taking an ever-bigger bite of the fast-food restaurant market. In a special report, *NRN* tells why they are succeeding.

**99** Despite the recession, America's culinary schools are expanding their program

**113** William Hyde, new president and chief executive officer of Chart House, is the subject of a special *NRN* profile.

**116** Gas station operators are joining the fast-food bandwagon.

**REGULAR FEATURES**

**Financial** ..... ***Pp. 4, 6***
**Opinion** ..... ***P. 8***
**People** ..... ***P. 97***
**Promotions** ..... ***P. 104***
**New Products** ..... ***P. 134***
**Classified** ... ***Pp. 139-150***



NATION's RESTAURANT NEWS
(ISSN 0028-0518)
Published by Lebhar-Friedman Inc.
425 Park Ave., New York, N.Y. 10022
All Correspondence to:
Editorial Offices:
425 Park Ave., New York, N.Y. 10022
Telephone: 371-9400
Cable: LEBHAFRIED

Published biweekly—every other Monday, monthly in December. Subscription rate $15 a year, $28 for two years. Single copy rate $2. Outside U.S.A.: Canada, $16 a year, $30 for two years; Foreign subscriptions (air mail only) $100 per year. Second class postage paid at New York, N.Y., and additional mailing offices.


Copyright 1982 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 99 Park Ave., New York, N.Y. 10016.

For change of address, six weeks notice to Subscription Dept., 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 16, No. 10 May 10, 1982

# Survey unveils salaries of food service execs

## Study notes trend toward more benefits

WASHINGTON—The median base salary for chief executives of publicly held restaurant companies in 1981 was $95,000, according to a just-released study.

Besides salary, such executives were compensated for their services with median bonuses or incentive payments of $46,700; profit-sharing payments of $10,000, and various other benefits that cost their employers an additional $10,000.

The study from which these figures were taken is called "Executive Compensation and Benefits in the Foodservice Industry" and was conducted by the National Restaurant Association in cooperation with Laventhol & Horwath, the accounting firm.

The 80-page study is the NRA's second survey of executive compensation in the foodservice industry. The first, published two years ago, reported on pay and other benefits for calendar years 1978 and 1979.

A few highlights of the current study include the following:

- The median base salary of 6,726 unit managers surveyed was $17,844. Low was $12,536 at coffee shops; high $23,853 at full-menu table-service restaurants.
- Among vice presidential positions, median base salaries ranged from $35,000 for vice president/general counsel to $47,000 for vice presidents of finance and franchising.
- Nineteen per cent of responding companies said they added to their benefit program last year; nearly half of these said they improved health and life insurance benefits.
- One quarter said they planned significant increases in benefits this year and next. Almost 30% of these said they would be adding profit-sharing plans. The benefit that has been added most frequently since 1978 is a paid dental plan.
- Among nine unit-level positions, median base salaries ranged from $8,000 for headwaiter (tipped position) to $23,100 for executive chef.
- The median base for management trainees was $13,013.

The NRA said the current study was conducted in response to many requests from members for comparative data on executive compensation. The association mailed out 7,000 requests for data to members and got back 539 fully completed questionnaires.

Responses represented nearly 13,200 units, employing more than 247,000 workers and garnering sales in excess of $5 billion. The sample represents twice the number of units and sales volume of the NRA's first executive compensation study.

The typical respondent to the current study is an independent, privately held corporation, with a full-menu table-service operation. The restaurant operates on a local basis, has 285 seats, employs 68 and reports $1.3 million median annual sales.

### More Benefits

The study notes that there is an especially visible trend away from cash payments to more benefits and perquisites for management personnel at most food-service companies.

The implied cause of this trend is inflation related bracket-creep. More liberal use of benefits as compensation seems to be the best way for employers to provide competitive remuneration at the lowest cost to themselves.

The study covered 29 different job titles at the central office, unit and regional levels. Types of restaurants covered included full-menu cafeterias, coffee shops, limited-menu restaurants (both with and without table service) and full-menu table-service operations.

The smallest restaurant reporting said it had 32 seats. The largest company reported a total of 139,000 seats.

"Executive Compensation and Benefits in the Foodservice Industry" is available from NRA's Educational Materials Center. Cost for members is $12.50; for nonmembers $25.

### 1981 FOOD-SERVICE INDUSTRY BASE SALARIES*

| Position | Total Number of Positions | Lower Quartile | Median | Upper Quartile |
|---|---|---|---|---|
| **CENTRAL OFFICE** | | | | |
| Chief Executive Officer | 240 | $34,000 | $50,000 | $75,000 |
| Executive Vice President | 106 | 27,264 | 40,000 | 63,500 |
| Operations VP | 134 | 26,700 | 39,000 | 50,000 |
| Finance VP | 50 | 30,000 | 47,500 | 56,050 |
| Marketing VP | 40 | 28,600 | 39,410 | 56,640 |
| Personnel VP | 43 | 26,106 | 38,100 | 50,000 |
| Development VP | 22 | 33,046 | 45,846 | 58,100 |
| Franchise VP | 11 | 42,525 | 47,500 | 52,825 |
| Distribution/Purchasing VP | 21 | 21,000 | 36,000 | 49,235 |
| General Counsel VP | 17 | 26,875 | 35,000 | 63,375 |
| Real Estate VP | 17 | 40,000 | 47,000 | 58,850 |
| Treasurer | 41 | 20,000 | 30,000 | 40,000 |
| Controller | 65 | 20,000 | 26,000 | 37,500 |
| **UNIT LEVEL** | | | | |
| Unit Manager | 6,726 | $15,819 | $17,844 | $20,840 |
| Assistant Manager | 6,035 | 11,635 | 12,608 | 15,490 |
| Night Manager | 576 | 13,000 | 13,520 | 14,300 |
| Manager Trainee | 1,213 | 12,500 | 13,013 | 16,500 |
| Maitre d'/Hostess | 528 | 8,320 | 8,320 | 10,000 |
| Headwaiter | 107 | 7,622 | 8,060 | 10,400 |
| Executive Chef | 218 | 16,160 | 23,100 | 27,800 |
| Chef | 572 | 11,700 | 16,900 | 19,431 |
| Head Bartender | 197 | 9,600 | 12,000 | 14,000 |
| **REGIONAL LEVEL** | | | | |
| Regional Manager—Operations | 203 | $23,183 | $30,000 | $42,061 |
| Assistant Regional Manager—Operations | 142 | 28,487 | 29,100 | 29,100 |
| Regional Controller | 7 | 27,400 | 27,400 | 30,550 |
| Regional Marketing Director | 21 | 35,200 | 36,600 | 36,600 |
| Regional Manager—Distribution | 10 | 35,500 | 35,500 | 35,500 |
| Regional Personnel Director | 34 | 27,400 | 32,100 | 32,100 |
| Regional Manager—Franchise Operations | 28 | 17,500 | 17,500 | 30,000 |

Source: *"Executive Compensation in the Foodservice Industry—1981," National Restaurant Association*

*Salary figures represent employees of proprietorships, partnerships, privately held corporations and publicly held corporations.

*Two positions eliminated*

## Sheppard, Rose out in VS realignment

LARKSPUR, Calif.—Paul Sheppard, executive vice president and chief operating officer, and Jon Rose, marketing vice president, have left Victoria Station in a tightening-up process. Both positions were eliminated by the board of directors.

Terrance Collins, former Burger Chef president who became VS chief executive a year ago, continues as chairman, president and ceo and will also be chief operating officer.

Sources indicated he was anxious to resume more direct control in his greatest area of expertise, operations.

Neither Sheppard nor Rose is to be replaced. Victoria Victory will continue as marketing director.

Rose, who was with VS 1½ years after handling the account with Bozell Jacobs Advertising, has accepted a position as marketing vice president of General Mills' Good Earth restaurants.

Sheppard was evaluating a number of executive opportunities at presstime. He joined VS in February 1980 as senior vice president for marketing and is generally credited with spearheading a subsequent partial turnaround which the chain achieved.

*Terrance Collins, Victoria Station chief executive, is expected to assume more direct control of company operations.*

Restructuring

## GF selling restaurants in Canada

WHITE PLAINS, N.Y.—General Foods said that as part of a general restructuring of certain foreign operations it will close or sell some of its Canadian food-service properties.

The disclosure comes just weeks after public confirmation that the company's United States dinnerhouses are for sale and finalization of the $44 million sale of 700-unit Burger Chef.

The company also said that for the latest fiscal year ended April 3 it will write off about $20 million for liabilities associated with the restaurants it sold and hopes to sell.

General Foods did not detail its plans for the Canadian restaurants.

General Foods' Canadian restaurant holdings include a 55-unit Kentucky Fried Chicken franchise, some 50 food-service management accounts, and some 35 dinnerhouses and coffee shops called 1867 Restaurants, Crock 'n Blocks and White Spot.

The company said the restructuring will give it an added cash flow of $100 million, $50 million of which stems from the Burger Chef sale.

### Volunteer Capital has new name

NASHVILLE—Volunteer Capital Corp. is changing its name to Winners Corp.

The company operates 95 franchised Wendy's restaurants, and is the developer and franchisor of the 49-unit Mrs. Winner's Chicken & Biscuits chain.

The company started out as the Volunteer Fund which operated as an equipment leasing firm until the 1974 acquisition of Wendy's franchise rights. Mrs. Winner's was acquired in 1979.

*PepsiCo in joint venture*

## Pizza Hut U.K. plans 60 units in Britain

LONDON—PepsiCo Inc. has sold half its interest in 13 Pizza Hut restaurants in England to Whitbread and Company, a British brewer, and the new partnership is planning to expand in Britain.

The new company formed in April by the sale, Pizza Hut U.K. (United Kingdom), will open at least 60 more Pizza Huts in Britain by 1985, according to PepsiCo, the parent company.

In addition, Whitbread is expected to open outlets called Pizza in a Pub in about 150 of its 7,000 pubs in Britain by 1985.

That concept has been tested successfully in one Whitbread pub in London since last October, according to Peter Bassi, area vice president for Pizza Hut in Europe, Africa and the Middle East.

"We think we will continue to test it out," he said. "We will be adding more pubs but it will be a few years before we really go aggressively."

Most pubs serve food, he said, but the concept of having a food franchise in a pub is unusual. Besides that, although many pubs offer pizza here, it is usually the kind that is premade, wrapped in cellophane and then heated in a microwave unit, Bassi said. The Whitbread pubs will provide freshly made pizza.

No financial details of the sale were disclosed.

At the end of last year there were 3,988 Pizza Huts in the United States and in 18 other countries—2,039 were franchised and 1,949 were company-owned. Bassi said other European Pizza Huts are in the Netherlands and Spain.